

# INCOME TAX ACT OF 1967 (EXCERPT)

## Act 281 of 1967

### CHAPTER 2

**206.51 Tax rate on taxable income of person other than a corporation; percentages of revenues deposited in state school aid fund; imposition of annualized rates; computation of taxable income of nonresident; resident beneficiary of trust; tax credit; including items of income and deductions from trust in taxable income; intent of section; appropriation for implementation of requirements; "person other than a corporation" and "taxable income" defined.**

Sec. 51. (1) For receiving, earning, or otherwise acquiring income from any source whatsoever, there is levied and imposed upon the taxable income of every person other than a corporation a tax at the following rates in the following circumstances:

(a) Before May 1, 1994, 4.6%.

(b) After April 30, 1994 and before January 1, 2000, 4.4%.

(c) For tax years that begin on and after January 1, 2000 and before January 1, 2002, 4.2%.

(d) For tax years that begin on and after January 1, 2002 and before January 1, 2003, 4.1%.

(e) On and after January 1, 2003 and before July 1, 2004, 4.0%.

(f) On and after July 1, 2004 and before October 1, 2007, 3.9%.

(g) On and after October 1, 2007 and before October 1, 2011, 4.35%.

(h) Beginning on October 1, 2011 and each October 1 after 2011, the maximum rate under this subsection shall be reduced by 0.1 each year until the rate is 3.95%.

(i) On and after October 1, 2015, 3.9%.

(2) The following percentages of the net revenues collected under this section shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963:

(a) Beginning October 1, 1994 and before October 1, 1996, 14.4% of the gross collections before refunds from the tax levied under this section.

(b) After September 30, 1996 and before January 1, 2000, 23.0% of the gross collections before refunds from the tax levied under this section.

(c) Beginning January 1, 2000, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.012% divided by the income tax rate levied under this section.

(3) The department shall annualize rates provided in subsection (1) as necessary for tax years that end after April 30, 1994. The applicable annualized rate shall be imposed upon the taxable income of every person other than a corporation for those tax years.

(4) The taxable income of a nonresident shall be computed in the same manner that the taxable income of a resident is computed, subject to the allocation and apportionment provisions of this act.

(5) A resident beneficiary of a trust whose taxable income includes all or part of an accumulation distribution by a trust, as defined in section 665 of the internal revenue code, shall be allowed a credit against the tax otherwise due under this act. The credit shall be all or a proportionate part of any tax paid by the trust under this act for any preceding taxable year that would not have been payable if the trust had in fact made distribution to its beneficiaries at the times and in the amounts specified in section 666 of the internal revenue code. The credit shall not reduce the tax otherwise due from the beneficiary to an amount less than would have been due if the accumulation distribution were excluded from taxable income.

(6) The taxable income of a resident who is required to include income from a trust in his or her federal income tax return under the provisions of 26 USC 671 to 679, shall include items of income and deductions from the trust in taxable income to the extent required by this act with respect to property owned outright.

(7) It is the intention of this section that the income subject to tax of every person other than corporations shall be computed in like manner and be the same as provided in the internal revenue code subject to adjustments specifically provided for in this act.

(8) There is appropriated to the department of treasury for the 2006-2007 state fiscal year the sum of \$100,000.00 to begin implementing the requirements of the amendatory act that added this subsection. Any portion of this amount under this section that is not expended in the 2006-2007 state fiscal year shall not lapse to the general fund but shall be carried forward in a work project account that is in compliance with section 451a of the management and budget act, 1984 PA 431, MCL 18.1451a, for the following state fiscal year.

(9) As used in this section:

(a) "Person other than a corporation" means a resident or nonresident individual or any of the following:

- (i) A partner in a partnership as defined in the internal revenue code.
- (ii) A beneficiary of an estate or a trust as defined in the internal revenue code.
- (iii) An estate or trust as defined in the internal revenue code.

(b) "Taxable income" means taxable income as defined in this act subject to the applicable source and attribution rules contained in this act.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1971, Act 76, Eff. Aug. 1, 1971;—Am. 1972, Act 181, Eff. Aug. 1, 1972;—Am. 1975, Act 19, Eff. May 1, 1975;—Am. 1977, Act 44, Imd. Eff. June 30, 1977;—Am. 1982, Act 155, Imd. Eff. May 17, 1982;—Am. 1983, Act 15, Imd. Eff. Mar. 29, 1983;—Am. 1984, Act 221, Imd. Eff. July 26, 1984;—Am. 1986, Act 16, Eff. Mar. 26, 1986;—Am. 1990, Act 283, Imd. Eff. Dec. 14, 1990;—Am. 1993, Act 328, Eff. Apr. 1, 1994;—Am. 1995, Act 194, Imd. Eff. Nov. 7, 1995;—Am. 1999, Act 1, Imd. Eff. Feb. 25, 1999;—Am. 1999, Act 6, Imd. Eff. Feb. 25, 1999;—Am. 2007, Act 94, Imd. Eff. Oct. 1, 2007.

**Compiler's note:** Section 4 of Act 76 of 1971 provides:

**"Expiration of act; conditions.**

"Section 4. The provisions of this amendatory act shall expire August 1, 1972 unless prior thereto the legislature has submitted to the electors constitutional amendments which shall (a) grant property tax relief by limiting of levying of more than 10 mills on property for school operational purposes, (b) permit the legislature to enact taxes on income graduated either as to rate or base or both, or (c) a combination of (a) and (b) as one amendment and (a) as a separate amendment and which said amendments shall be voted upon at a special election to be held on November 2, 1971 or at the general election to be held November 1972."

The legislature did not submit to the electors at a November 2, 1971 special election or at the November, 1972 general election proposed constitutional amendment(s) to effect the purposes enumerated in Section 4 of Act 76 of 1971.

Section 51 of Act 250 of 1978, purporting to amend this section, was submitted to and disapproved by the people as part of Proposal E at the general election held on November 4, 1980.

Section 2 of Act 15 of 1983 provides:

**"Legislative finding and purpose.**

"Section 2. Because a severe economic recession has caused an actual deficit in state funds, the legislature finds that this amendatory act is necessary to, and it is the purpose of this amendatory act to, meet the actual deficiencies existing in state funds at the time of this enactment."

**206.51a Calculation of tax; credits allowed; annual return not required to be filed; statute of limitations; enforcement of tax collection; reports by department regarding no-form option.**

Sec. 51a. (1) Notwithstanding any other provision of this act and for tax years beginning after December 31, 1996, an eligible taxpayer may elect to pay the tax imposed by this act calculated by multiplying taxable compensation, less an amount equal to the personal and dependency exemptions allowed as a subtraction under section 30(2), (3), and (4), by the rate established in section 51.

(2) Except as provided in subsection (1), an eligible taxpayer who elects to pay the tax imposed by this act calculated under this section shall not claim any exemption, deduction, or credit allowed under this act other than the credits allowed under all of the following sections:

- (a) The credit for taxes withheld under section 251.
- (b) The prescription drug credit under section 273.
- (c) The home heating credit under section 527a.

(3) An eligible taxpayer who elects to pay the tax imposed by this act calculated under this section is not required to file an annual return under this act.

(4) An eligible taxpayer who files a withholding exemption certificate to elect to pay the tax imposed by this act calculated under this section may file an annual return and pay the tax calculated under section 51.

(5) The statute of limitations provided in Act No. 122 of the Public Acts of 1941, being sections 205.1 to 205.31 of the Michigan Compiled Laws, begins to run on the date that the annual return is due for the tax year for which the taxpayer has filed an election to pay the tax imposed by this act calculated under this section.

(6) The department may enforce the collection of the tax imposed under this act and calculated under this section to the extent the tax withheld under section 351 is less than the tax imposed by this act and calculated under this section.

(7) For the 1998 tax year and each year after 1998 that the no-form option allowed under this section is in effect, the department shall file a report not later than July 1 with the house tax policy committee and the senate finance committee that contains all of the following information about the taxpayers who elect to pay the tax imposed by this act pursuant to this section:

- (a) The total number of taxpayers.
- (b) The number of taxpayers by county and city.
- (c) The average income of the taxpayers.
- (8) As used in this section:

(a) "Eligible taxpayer" means a resident who meets both of the following criteria:

- (i) Has income for the tax year in total or from any 1 source, other than taxable compensation or income

described in subdivision (b), (i), (ii), or (iii), of less than \$100.00 for a single return or \$200.00 for a joint return.

(ii) Has filed a withholding exemption certificate to elect to pay the tax imposed by this act calculated under this section for the tax year.

(b) "Taxable compensation" means compensation from which tax has been withheld pursuant to section 351(1) or (7), except the following:

(i) Compensation described in section 30(1)(e) or 30(1)(f)(i).

(ii) Social security benefits as defined in section 86 of the internal revenue code.

(iii) Retirement benefits, pension benefits, or benefits from a retirement annuity policy in which payments are made for life to a senior citizen, other than benefits described in section 30(1)(e) or 30(1)(f)(i), or described in section 86 of the internal revenue code, not to exceed the amounts allowed as a deduction under section 30(1)(f)(v).

**History:** Add. 1996, Act 265, Imd. Eff. June 12, 1996;—Am. 1996, Act 484, Eff. Jan. 1, 1997.

#### **206.51b Repealed. 2000, Act 40, Imd. Eff. Mar. 27, 2000.**

**Compiler's note:** The repealed section pertained to income tax rate other than corporation and its levy and imposition.

#### **206.51c-206.51e Repealed. 2007, Act 94, Imd. Eff. Oct. 1, 2007.**

**Compiler's note:** The repealed sections pertained to income tax rates other than for corporations.

#### **206.52 Exemption.**

Sec. 52. For tax years beginning after 1986, a person with respect to whom a deduction under section 151 of the internal revenue code is allowable to another federal taxpayer during the tax year is not considered to have an allowable federal exemption for purposes of section 30(2) and, notwithstanding sections 51 and 315, if that person has an adjusted gross income for that tax year of \$1,500.00 or less, is exempt from the tax levied and imposed in section 51 and is not required to file a return under this act.

**History:** Add. 1988, Act 1, Imd. Eff. Jan. 22, 1988.

#### **206.61-206.81 Repealed. 1975, Act 233, Imd. Eff. Aug. 27, 1975.**

**Compiler's note:** The repealed sections pertained to taxes imposed on corporations, financial institutions, and unincorporated organizations.

#### **206.91 Common trust funds and participants; taxable status.**

Sec. 91. (1) A common trust fund meeting the requirements of section 584 of the internal revenue code, shall not be subject to tax under this act.

(2) Each participant in the common trust fund shall, under rules prescribed by the department, include its proportionate share of the taxable income whether or not distributed and whether or not distributable.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.